



Questionnaire 2

HCCH Judgments Project

National/Regional Group: SWEDEN

Contributors name(s): Christina BERGGREN, Erik FICKS, Örjan GRUNDÉN, Ivan HJERTMAN, Louise JONSHAMMAR

E-Mail contact: og@gozzo.se

Introductory remarks by the Swedish Group

Background

The HCCH *Background document of May 2018* (“Information Document”) provides helpful explanations of the treatment of Intellectual Property Related Judgments under the November 2017 draft Convention (“the Convention”) and clarifies the two alternatives of either including or excluding IP matters from the Convention. The alternative of **excluding** IP matters is indicated by square brackets in Article 2(1)(m). The alternative of **including** IP matters is indicated by square brackets in Articles, 5(3), 6(a), 7(1)(g), 8(3) and 11, which represent a set of special rules applicable to intellectual property.

This set of special rules represent a number of qualifications of the conditions for recognition and enforcement of IP related judgments in case IP matters are included in the Convention. A primary object is that cross-border effects of IP related judgments under the Convention are restricted in accordance with the internationally accepted principle of territoriality of IP rights. This is of critical importance in order for the recognition and enforcement of foreign IP judgments to be internationally acceptable in spite of two facts: there is no international harmonization of jurisdiction in cross-border situations and the Convention leaves it open for internal law of Contracting States to establish an extensive geographical scope of jurisdiction in such matters.

Said set of special rules for IP matters further specifies safeguards that limit the effects of the Convention in cross-border situations. Cross-border infringement of IP rights is not internationally harmonized and objections to recognition and enforcement of a foreign judgment ruling on cross-border infringement may be justified when it is based on a scope of IP protection under the internal law in the “State of origin”, which extends to acts performed or harm suffered in other countries.

Inclusion or exclusion of IP matters in the Convention

National substantive as well as procedural law relating to IP matters and also national court practices differ essentially, for example with regard to subject matter and scope

of protection as well as validity of such rights. Judgments on the same factual situation may therefore differ substantially between courts in different countries. Such differences are not avoided by applicable conflict-of-laws rules requiring the court in the "requesting State" to apply the national law of the "State of origin".

In view hereof is the inclusion in the Convention of IP matters only acceptable provided that the Convention – in accordance with the present draft – is based on the territoriality principle and for recognition and enforcement of a foreign judgment requires it to have been given by a court in the country, where the claimed IP right is registered or protected without registration. Further, appropriate limitations of recognition and enforcement of foreign judgments are required to allow for justified objections to giving cross-border effect to foreign judgments to the extent that they - contrary to the territoriality principle - are related to acts performed or effects arising in the "requested State".

To enforce an IP related judgment by a court in one country in a foreign country may today be excessively time consuming and costly. The practical need for such foreign enforcement has increased and may be expected to further increase with cross-border infringement situations becoming increasingly frequent, in particular in net based international activities. In such situations, cross-border recognition and enforcement of foreign IP related judgments would therefore enhance the efficiency of protection of IP rights in an increasingly globalized economy.

For these reasons and subject to appropriate safeguards, the Swedish Group is in favour of the inclusion of IP matters in the Convention. The practical effect thereof may today be more important for some IP rights than for others but there is in our opinion no reason in principle to include some and exclude other IP rights.

Limitations of cross-border recognition and enforcement

Injunctions and acts and harm outside the "State of origin"

As discussed in the Information Document (para 15 and 56-57), two categories of judgments at issue are injunctions (on the merits) to cease and desist from a certain behaviour, which is infringing an IP right, and monetary relief granted on the basis of acts performed or harm suffered outside the "State of origin".

Enforcement in the "requested State" of injunctive relief granted in the "State of origin" by application of the internal law on injunctive relief of the "State of origin" is not acceptable in view of the differences in national law that exist with regard to the character of injunctive relief. For the same reason, enforcement by application of the internal law of the "requested State" on injunctive relief granted by a court in the "State of origin" is also unacceptable.

Enforcement of monetary relief related to acts performed or harm suffered outside the "State of origin" may be going beyond the effects of the IP right according to the territorial restriction of its protection. To require enforcement by the "requested State" of a judgment by a court in the "State of origin" awarding such relief may interfere with the "requested State's" policy views and rules on conflict-of-laws in that situation.

Article 11 is therefore in our opinion indispensable in order to avoid that the Convention requires enforcement by the "requested State" of a judgment by a court in the "State of origin" for injunctive relief or for monetary relief for harm in another country. Further, Article 5(3)(a) and (b) must include the proviso in square brackets that "the defendant has not acted in that State to initiate or further the infringement, or their activity cannot reasonably be seen as having been targeted at that State".

Rulings on validity/subsistence

In accordance with the territoriality principle, Article 6(a) prescribes as exclusive basis for recognition and enforcement of judgments ruling on the validity of intellectual property rights **required to be granted or registered** that the State of origin is the State in which grant or registration has taken place.

In the exclusive basis for recognition and enforcement under Article 6(a), the draft Convention does not include judgments ruling on the subsistence of intellectual property rights that are **protected without registration** and yet are covered by the Convention according to Article 5(3)(b) and (c), i.e. copyright and related rights, unregistered trademarks and unregistered industrial designs. However, according to Article 5(3)(c), such judgments are only eligible for recognition and enforcement if they were given by a court in the State for which protection was claimed.

The territoriality principle requires both rulings on the validity and rulings on the subsistence of IP rights to be given by a court in the state, the law of which is the basis for claiming legal protection of the right. From this point of view it is immaterial whether the IP right is protected by registration or otherwise and there is no reason for a substantive difference between Articles 6(a) and 5(3)(c). Thus, recognition and enforcement of judgments ruling on the validity or the subsistence of IP rights must require that the "State of origin" is the State in which protection was claimed to exist.

Article 16 provides that the Convention does not prevent the recognition or enforcement of judgments **under national law** of the "requested State". However, this is said to be "subject to Article 6". In the Information Document (para 47), this is explained to imply that Article 6(a) excludes the possibility of recognition or enforcement under national law for judgments not given in the State where the right was granted, while Article 5(3)(a) does not. There seems to be no justification for this distinction between IP rights protected by registration and IP rights protected without registration and the ensuing complication of the Convention.

Rulings on validity as a "preliminary question"

According to the definition in Article 3.1(b), "judgment" means any decision on the merits given by a court but does not include rulings of an interlocutory character, such as preliminary injunctions, which are thus not to be recognized and enforced under the Convention.

According to the Information Document (para 16), litigation concerning a license contract is not qualified as an IP-related matter but where the invalidity of a licensed IP right is raised and the court rules on the (in)validity as a preliminary question, this ruling will be regarded as an IP-related matter. Such rulings on preliminary questions are not rulings of an interlocutory character but judgments that may be recognized and enforced under the Convention.

Validity may arise as a preliminary question in an infringement action. When the infringement action is ruled on by a court in the country whose law governs the right concerned and where protection is claimed, the judgment will be eligible for recognition and enforcement under the Convention.

Article 8 refers to "preliminary questions and it appears from the Information Document (para 52), that 8(3) in IP contractual disputes applies to rulings on a preliminary question relating to the validity of rights referred to in Article 6 (a), i.e. rights required to be granted or registered.

It may be questioned whether 8(3) should not be deleted since said rulings should not be dealt with as judgments on the infringement or validity of IP-rights but as contractual disputes in general. It seems unjustified to require that disputes concerning a contract, which may cover IP rights in several countries, must be ruled – partly or

totally – by courts in the countries whose law governs the IP rights concerned and where protection of these rights is claimed.

Questions

- 1) Relating to Article 2(1)(m) of the November 2017 Draft Convention:

“This Convention shall not apply to the following matters - ... [(m) intellectual property rights [and analogous matters].”

- a) Should any intellectual property rights be included in the scope of the Convention? Please explain why or why not.

Yes, IP-rights should be included. To enforce an IP related judgment by a court in one country in a foreign country may today be excessively time consuming and costly. The practical need for such foreign enforcement has increased and may be expected to further increase with cross-border infringement situations becoming increasingly frequent, in particular in net based international activities. In such situations, cross-border recognition and enforcement of foreign IP related judgments would therefore enhance the efficiency of protection of IP rights in an increasingly globalized economy. For these reasons and subject to appropriate safeguards, the Swedish Group is in favour of the inclusion of IP matters in the Convention. The practical effect thereof may today be more important for some IP rights than for others but there is in our opinion no reason in principle to include only some and exclude other IP rights.

Please answer Questions 1)b)-d) even if you have answered NO to Question 1)a) (you may e.g. have views on the definition anyway, for the event intellectual property rights would be included)

- b) Should intellectual property rights be included in the scope of the Convention, what should be included within the concept of “intellectual property”? For example, should the concept of "intellectual property" be limited to the "traditional" intellectual property rights, e.g. patents, designs, trademarks, copyright? Alternatively, should the concept of "intellectual property" also include related rights, such as rights relating to trade secrets, rights arising from licences, unfair competition, etc.? Please explain and specify why or why not certain types of "intellectual property" should be included or excluded.

Article 5(3)(b) and (c) specify the unregistered IP rights covered. Further extension of the scope of the Convention with regard to IP rights should not be discussed at this stage.

- c) Do you think the wording “... and analogous matters” is clear enough? Please explain why or why not.

Yes, no further definition is required at this stage.

- d) Please provide any proposals regarding the refinement of the wording of Article 2(1)(m) of the Draft Convention.

The Swedish Group is of the opinion that intellectual property shall be included in the Convention and that Article 2(1)(m) should be deleted

- 2) Relating to Article 5(3)(a) of the November 2017 Draft Convention:

“Paragraph 1 does not apply to a judgment that ruled on an intellectual property right or an analogous right. Such a judgment is eligible for recognition and enforcement if one of the following requirements is met –

(a) the judgment ruled on an infringement in the State of origin of an intellectual property right required to be granted or registered and it was given by a court in the State in which the grant or registration of the right concerned has taken place or, under the terms of an international or regional instrument, is deemed to have taken place[, unless the defendant has not acted in that State to initiate or further the infringement, or their activity cannot reasonably be seen as having been targeted at that State;”

- a) Should a judgment that ruled on the infringement of an intellectual property right required to be granted or registered only be eligible for recognition and enforcement if given by a court of the contracting state in which the intellectual property right in question was granted or is registered? Please explain why or why not.

Yes. The Swedish Group strongly believes this requirement is crucial. The existing differences between countries in substantive as well as procedural law relating to intellectual properties, for example in regard to subject matter and scope of protection, and the validity of such rights, make it clear that judgments must not be recognised or enforced unless given by the appropriate courts in the country of origin of such rights.

- b) Should there be an exclusion in the case where the defendant has not acted in that State or their activity cannot reasonably be seen as having been targeted at that State? Please explain why or why not.

Yes. Other acts outside the country of protection should in accordance with the territoriality principle in general be excluded from recognition and enforcement under the Convention.

- c) Should there be an exclusion in the case of purely inter partes judgments? Please explain why or why not.

Yes. The underlying reasons for recognition and enforcement under the Convention of judgments regarding infringement and validity of IP rights

do not apply to contractual disputes, the recognition and enforcement of which should follow the general rules of the Convention.

- 3) Relating to Article 5(3)(b) of the November 2017 Draft Convention:

“Paragraph 1 does not apply to a judgment that ruled on an intellectual property right or an analogous right. Such a judgment is eligible for recognition and enforcement if one of the following requirements is met –

...

(b) the judgment ruled on an infringement in the State of origin of a copyright or related right, an unregistered trademark or unregistered industrial design, and it was given by a court in the State for which protection was claimed [, unless the defendant has not acted in that State to initiate or further the infringement, or their activity cannot reasonably be seen as having been targeted at that State;”

- a) Should a judgment that ruled on the infringement of a copyright or related rights, an unregistered trademark or unregistered industrial design, only be eligible for recognition and enforcement if given by a court in the State for which protection is claimed? Please explain why or why not.

Yes. The Swedish Group strongly believes that this requirement is crucial for the reason mentioned in 2 a).

- b) Should there be an exclusion in the case were the defendant has not acted in that State or their activity cannot reasonably be seen as having been targeted at that State? Please explain why or why not.

Yes, for the reason mentioned in 2 b).

- c) Should there be a requirement that the infringement in question is actionable in both the State in which the judgment was issued, and in the State in which the judgment is sought to be enforced? Please explain why or why not.¹

No. Such a requirement is inconsistent with the territoriality principle.

- 4) Relating to Article 5(3)(c) of the November 2017 Draft Convention:

“Paragraph 1 does not apply to a judgment that ruled on an intellectual property right or an analogous right. Such a judgment is eligible for recognition and enforcement if one of the following requirements is met –

¹ There has been a ‘double actionability’ requirement in the laws of some states. If, for example, the defendant commits acts in state A which amount to a tort in state A but is sued in state B for that tort, does the tort need to be an actionable tort in both states A and B or just in state A? This is especially relevant for territorial rights such as intellectual property rights. In relation to copyright infringement, this question arose in the UK case of *Pearce v Ove Arup Partnership Ltd* [2000] Ch 403, in which the Court of Appeal held that a claim in England for infringement of a Dutch copyright was permitted, and in New Zealand in *KK Sony Computer Entertainment v Van Veen* (2006) 71 IPR 179.

...

(c) *the judgment ruled on the validity[, subsistence or ownership] in the State of origin of a copyright or related right, an unregistered trademark or unregistered industrial design, and it was given by a court in the State for which protection was claimed.”*

- a) Should a judgment that ruled on the validity, subsistence or ownership of a copyright or related right, an unregistered trademark or unregistered industrial design only be eligible for recognition and enforcement if given by a court in the State for which protection is claimed? Please explain why or why not.

Yes. The Swedish Group strongly believes that this requirement is crucial for the reason mentioned in 2 a).

- b) Should there be a requirement that the validity, subsistence or ownership referred to in Article 5(3)(c) is actionable in both the State in which the judgment was issued, and in the State in which the judgment is sought to be enforced? Please explain why or why not.

No. Such a requirement is inconsistent with the territoriality principle.

- 5) See Article 6(a) of the November 2017 Draft Convention; and also Article 8(3) of the November 2017 Draft Convention:

- a) Should a judgment that ruled on the validity of an intellectual property right only be eligible for recognition and enforcement if given by a court of a contracting State in which grant or registration has taken place? Please explain why or why not.

Yes, for the reason mentioned in 2 a

- b) In your jurisdiction, does the word “validity” subsume “registration”? If not, are they related, and if so, how?

Validity is presumed when an IP right is registered but a registered IP right can be found invalid by a Court. . An unregistered IP right either subsists or does not subsist, which may be determined by a court.

- c) Should there be an exception in the case of purely inter partes validity judgments? For example, if validity is subsidiary to infringement and a finding regarding validity is only effective as between the parties in the infringement case, or if the validity judgment only acquires in rem effect once it has been fully appealed and becomes final. Please explain why or why not.

In Sweden invalidity as a defence in an infringement action requires the defendant to institute a revocation action. If a court rules on validity as a preliminary matter in a contractual dispute that ruling is itself not an enforceable judgment.

- 6) Should a decision from a body other than a court, such as a branch of government or an Intellectual Property Office, in relation to an intellectual property right required to be granted or registered have the same status under Articles 5(3), 6(a) and 8(3) of the Draft Convention as decisions of a court (particularly in view of the fact that it is not just courts that can revoke intellectual property rights, but e.g. also national and regional offices)? Please explain why or why not.

No. It is not clear what the purpose and effects of inclusion of administrative revocation of registered IP rights in the Convention would be.

- 7) Relating to Article 8(3) of the November 2017 Draft Convention:

"However, in the case of a ruling on the validity of a right referred to in Article 6, paragraph (a), recognition or enforcement of a judgment may be postponed, or refused under the preceding paragraph, only where –

(a) that ruling is inconsistent with a judgment or a decision of a competent authority on that matter given in the State referred to in Article 6, paragraph (a); or

(b) proceedings concerning the validity of that right are pending in that State.

A refusal under sub-paragraph (b) does not prevent a subsequent application for recognition or enforcement of the judgment."

- a) Should the wording of Article 8(3) of the Draft Convention be adjusted, particularly in view of the fact that in intellectual property matters, it is not just courts that can e.g. revoke intellectual property rights (see also above)? Please explain why or why not.

No. It is not clear if, and then to what extent and under which conditions Article 8(3) is needed.

- b) Please provide any proposals regarding the refinement of the wording of Article 8(3) of the Draft Convention.

- 8) Should the application of a law other than the internal law of the State of origin of a judgment ruled on an infringement of an intellectual property right be a ground for refusal for recognition or enforcement? Please explain why or why not.

(see Article 7(1)(g) of the November 2017 Draft Convention)

No. There is no need for such a provision when the "State of origin" is required to be the country where the IP right is protected.

- 9) See Article 11 of the November 2017 Draft Convention:

- a) Should the Convention only cover judgments ruling on an infringement to the extent that they rule on a monetary remedy in relation to harm suffered in the State of origin (in addition to the enforceability of a cost award, see Article 15 of the Draft Convention)? Please explain why or why not.

Yes. Enforcement of injunctive relief and compensation for harm suffered in the "requested State" should not be required under the Convention.

- b) Do you agree with the reformulation of Article 11 (previously 12)? Please explain why or why not.

(see also Article 12 of the February 2017 Draft Convention)

Yes, the limitation has support in the principle of territoriality.

- c) If you have answered NO to Question 9)b), how could the wording of Article 11 be refined? Please explain why or why not.

- 10) Should there be a rule, such as *res judicata*, to prevent the re-litigation of issues which have already been determined by the court of a State? Please explain why or why not.

No. The issue of *res judicata* should be left to the national law of the "requested State".

- a) If YES, should the rule only apply between the same parties, and in relation to issues that have been finally determined with no possible appeals remaining?
- b) If YES, should *res judicata* only apply in the case of *in rem* judgments, or also in the case of *inter partes* judgments? In particular, should a prior *inter partes* determination of validity prevent the later re-litigation of validity, e.g. if new prior art is found which is said to invalidate a patent?

- 11) To the extent not yet mentioned above (e.g. in your reply to question 1) above) do you have concerns in relation to *res judicata* rules possibly being applicable (e.g. through national laws) should intellectual property be included within the scope of the Draft Convention? Please explain your concerns and potential ways to address those.

No.

- 12) Do you have any other comments (including wording suggestions) in relation to the intellectual property related aspects of the Draft Convention?

Please see the Swedish Group's introductory comments.

April 17, 2018